



# Bank Notes

## A Newsletter for Michigan Lenders

January 4, 2007

Issue 141

### Centralized Processing For All 7(a) Loans Begins

Effective January 8, 2007 all standard 7(a) loan applications that have been submitted to the Michigan District Office should no longer be sent to that office. Instead, lenders should send them to the appropriate Standard 7(a) Loan Guaranty Processing Center.

Loan submission instructions and other very useful information are available on the SBA's Electronic Lending Web site at [www.sba.gov/banking](http://www.sba.gov/banking). We urge you to read "Centralized Loan Submission Instructions" and "SBA Eligibility Questionnaire for Standard 7(a) Guarantee" carefully and follow their guidance explicitly.

Please continue to send 7(a) loan applications submitted under the PLP, SBAExpress, and Community Express programs to the Sacramento Loan Processing Center.

If you have any questions regarding the new process, please contact Frank Pucci, Center Director, Standard 7(a) Loan Guaranty Processing Center, at (916) 930-2450. A letter from Mr. Pucci is on page 4.

While this office will no longer be processing your guaranty loan applications, we look forward to continuing to work with you to build upon our record of success in delivering SBA's loan programs to Michigan's small business community.

### FY 2007 First Quarter Lending Report

After the first three months of FY 2007, Michigan is on pace to set a record for 7(a) loans for the 6th year in a row. However, our streak of five consecutive years of new records in the 504 program may be in jeopardy. Compared to the agency as a whole, our 23% increase in 7(a) loans compares to an approximate 14% increase nationally, while our 19% decrease in 504 loans compares to about a 2% increase nationally. Loans to businesses owned by veterans and women are listed below to call your attention to two areas where we continue to need your help. We greatly appreciate your continuing support of SBA's guaranty loan programs.

	FY 2006	FY 2007	Increase
7(a) Loans	689	848	23%
504 Loans	63	51	-19%
7(a) Dollars	\$96,292,000	\$98,792,000	3%
504 Dollars	\$33,740,000	\$26,528,000	-21%
Loans to Veterans	42	42	--
Loans to Women	123	128	4%

### Upcoming OCC Web & Telephone Seminar

On January 31, 2007 from 2:00 pm - 3:30 pm EST, the Office of the Comptroller of the Currency (OCC) will have its next Web and telephone seminar on the SBA 504 loan program. Program details are available on OCC's Web site at [http://www.occ.treas.gov/SBA\\_Brochure\\_\(1119\).pdf](http://www.occ.treas.gov/SBA_Brochure_(1119).pdf).

The 504 program is an outstanding economic development tool that is still underutilized in Michigan. We encourage all lenders to take advantage of this opportunity to learn more about this program.

U.S. Small Business Administration  
477 Michigan Avenue, Detroit, Michigan 48226  
P (313) 226-6075; Fax (313) 226-4769;  
E-mail [michigan@sba.gov](mailto:michigan@sba.gov); [www.sba.gov/mi](http://www.sba.gov/mi)



### Lenders Supporting the 504 Loan Program

For the first three months of FY 2007, under the 504 Loan Program we have approved 51 loans worth \$26.5 million. These loans have been supported by 24 different third party lenders (lender data available only through November 30). These are the lenders which supported three or more 504 loans:

<b>Lender</b>	<b># of Loans</b>
Fifth Third Bank	3
Zions First National Bank	3
Chase	2
Chemical Bank	2
Citizens Bank	2
Comerica	2
Mercantile Bank	2
Summit Community Bank	2

SBA's 504 Loan Program provides long-term, fixed rate, subordinated financing for acquisition and/or renovation of capital assets, including land, buildings, and equipment. With 504 financing, the typical financial structure consists of 10% from the borrower, 50% from the commercial lender, and 40% from the Certified Development Company (CDC). The CDC portion is provided by 100% SBA guaranteed debentures.

For more information, please contact one of the CDCs listed in the next column. These organizations specialize in packaging 504 loans and will manage the entire process to make sure it goes smoothly.

### Credit Scoring Can Increase Access To Credit

The introduction of credit scoring by banks for small business loans may help increase small businesses' access to credit, according to a study released by the Office of Advocacy of the U.S. Small Business Administration. The report also found that relationships continue to be the dominant factor in banks' decisions to lend to small businesses.

Written by Drs. Charles and Adrian Cowan, with funding from the Office of Advocacy, *A Survey Based Assessment of Financial Institution Use of Credit Scoring for Small Business Lending*, shows that banks, particularly those in urban areas, are moving towards the use of both owner and business credit scoring as a key metric in the small business loan decision.

A copy of this report can be obtained at <http://www.sba.gov/advo/research/rs283tot.pdf>, and the research summary at <http://www.sba.gov/advo/research/rs283.pdf>. Should you need further information, please feel free to contact Charles Ou at (202) 205-6533 or via e-mail at [advocacy@sba.gov](mailto:advocacy@sba.gov).

### Annual Report

The FY 2006 Annual Report for the Michigan District Office, which provides information and data on our lending programs and other activities, is now available. Please visit our Web site at [http://www.sba.gov/mi/MI\\_NEWS.html](http://www.sba.gov/mi/MI_NEWS.html).

### Michigan Certified Development Companies

#### Economic Development Foundation-Certified

Grand Rapids, (888) 330-1776

#### Lakeshore 504 - South Office

Holland, (616) 392-9633

#### Lakeshore 504 - North Office

Grand Haven, (616) 846-3153

#### Metropolitan Growth and Development Corporation

Detroit, (313) 224-0820

#### Michigan Certified Development Corporation

Lansing, (517) 886-6612

#### Oakland County Business Finance Corporation

Pontiac, (248) 858-0879

#### SEM Resource Capital

Livonia, (734) 464-4418

#### SEM Resource Capital

Grand Rapids, (616) 242-5153

### Bank Notes Distribution

If you know someone who would like to receive future issues of Bank Notes, they will need to subscribe through SBA's Free Newsletter and Publication Subscription Center.

The process is easy. Simply go to Web page <http://web.sba.gov/list/>; scroll down and check the box entitled "Michigan Bank Notes Newsletter." Then scroll down and enter your name and e-mail address at the bottom of the page and hit the "Subscribe" button.



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### Updated 504 Authorization Wizard

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SBA Notice 5000-1009 announced the release of Version 2007 of the National 504 Authorization Boilerplate and Wizard which replaces the current Version 2004.2. All changes are outlined in the "What's New" section of the Authorization.

Version 2007 of the 504 Authorization will replace Version 2004.2 on SBA's servers for use by the SBA 504 Processing Center effective January 2, 2007.

Version 2007 of the 504 Authorization is available to CDCs by going to the SBA banking Web site at [www.sba.gov/banking](http://www.sba.gov/banking) beginning January 2, 2007, but CDCs have until February 5, 2007 to convert to this new version.

This notice will be posted to the Michigan Lenders' page at [www.sba.gov/mi/mi\\_lender-info\\_notices.html](http://www.sba.gov/mi/mi_lender-info_notices.html) as soon as possible. If you have any questions or concerns regarding the 504 Authorization, please submit them to the 504 Authorization e-mail box at [Auth-504@sba.gov](mailto:Auth-504@sba.gov).

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### Michigan Lenders Web Site

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Make sure you check out Michigan's SBA's Lenders Web page at [http://www.sba.gov/mi/mi\\_lenderspage.html](http://www.sba.gov/mi/mi_lenderspage.html). This site contains past and current issues of Bank Notes, press releases concerning the SBA loan programs, downloadable copies of the 7(a) application forms, links to SBA's Electronic Lending Web site, SBA Information Notices, and more.

Also available is a basic 7(a) Lender Training presentation. This 30 minute narrated PowerPoint presentation provides a good overview of the SBA loan program.

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### Availability of Lender Window Decals

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Lender window decals are available for Michigan's SBA Preferred (PLP) and SBAExpress Lenders.

Preferred lenders are nominated based on their historical record with the Agency. They must have demonstrated a proficiency in processing and servicing SBA guaranteed loans.

A lender may be eligible to participate in SBAExpress if it:

- ✍ Currently participates with SBA and meets certain portfolio performance standards. There are no SBA loan-volume requirements; or
- ✍ Is a non-SBA lender that currently makes a reasonable number of commercial loans of \$50,000 or less that generally follow SBA's size standards, use of proceeds, type of business and availability of funds.

To receive window decals, please e-mail Ken Kolasa at [Kenneth.kolasa@sba.gov](mailto:Kenneth.kolasa@sba.gov) with the following information: number of decals needed, which type of decal (Preferred and/or Express), contact name, and address.

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### Staff Farewell

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Leslie Gierke, Acting Chief of the Lender Relations Division for the past 19 months, retired on January 3rd. She was a highly regarded member of our office and we wish her the best in her retirement.

If you have any questions or concerns regarding our loan programs, please contact Ken Kolasa, Lender Relations Specialist; Linda Kristoff, Loan Processing Assistant; or Richard Temkin, District Director, at (313) 226-6075.

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### Updated 7(a) Authorization Wizard

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SBA Notice 5000-1008 announced the release of Version 2007 of the National 7(a) Authorization Boilerplate and Wizard which replaces the current Version 2006. All changes are outlined in the "What's New" section of the Authorization.

Version 2007 of the 7(a) Authorization will replace Version 2006 on SBA's servers for use by the SBA processing offices effective January 2, 2007.

Version 2007 of the 7(a) Authorization is available to Lenders by going to the SBA banking Web site at [www.sba.gov/banking](http://www.sba.gov/banking) beginning January 2, 2007, but lenders have until February 5, 2007 to convert to this new version.

This notice will be posted to the Michigan Lenders' page at [www.sba.gov/mi/mi\\_lender-info\\_notices.html](http://www.sba.gov/mi/mi_lender-info_notices.html) as soon as possible. If you have any questions or concerns regarding the 7(a) Authorization, please submit them to the 7(a) Authorization e-mail box at [Auth-7a@sba.gov](mailto:Auth-7a@sba.gov).

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### 2007 Michigan Lenders' Conference

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SBA's 9th Annual Michigan Lenders' Conference will be held March 22, 2007 at the Kellogg Center in East Lansing. The conference will feature training sessions on a wide range of topics for a variety of bank personnel. Brochures and registration materials will be sent out in February.



### 7(a) Loan Guaranty Processing Center

501 I Street Suite 12-200  
Sacramento, Ca 95814

Dear 7(a) Lender:

As the Michigan District Office has advised, the Standard 7(a) Loan Guaranty Processing Center (LGPC) is assuming responsibility for processing all 7(a) loans for their area beginning January 8, 2007. This measure enables SBA to better meet the needs of the small business community in gaining access to our lending programs and to more efficiently process 7(a) loan guaranty applications.

Our office has a staff dedicated to loan processing only, with a goal to provide experienced professional guidance and reasonable turnaround on all standard 7(a) applications. The LGPC has two physical locations; however, it is linked electronically to function as a single processing facility.

You can assist our efforts to process your loans as efficiently as possible by noting the following:

1. Lenders must have a Loan Guaranty Agreement (SBA Form 750) on file with their local SBA field office.
2. Current forms and submission instructions can be found at [www.sba.gov/banking](http://www.sba.gov/banking). The submission instructions will be updated as streamlining changes are enacted.
3. Please be sure all sections of the application are completed. Lender contact person(s) name(s) with fax numbers and email addresses are especially appreciated.
4. Loan packages should be sent to the following: By Fax either 606-435-2400 or 916-930-2180, by mail or FedEx to 262 Black Gold Blvd, Hazard, KY 41701, or by email to [loanprocessing@sba.gov](mailto:loanprocessing@sba.gov).

We look forward to our continued partnership with you in providing financial assistance to America's small businesses. If you have any questions, comments, or concerns, please call me at 916-930-2450.

Sincerely,

Frank Pucci  
Center Director



### New Market Tax Credits Pilot Loan Program

SBA has published Notice 5000-1003 announcing the New Markets Tax Credit (NMTC) Pilot Loan Program. Under this program, certain Community Development Entities will be able to purchase a participation interest in a SBAExpress or Community Express 7(a) loan up to 90 percent of the gross loan amount as part of their investment in low-income communities under the New Markets Tax Credit Program administered by the U.S. Department of Treasury. You may access the entire text of the Federal Register notice at [www.access.gpo.gov/su\\_docs/fedreg/frcont06.html](http://www.access.gpo.gov/su_docs/fedreg/frcont06.html).

#### Frequently Asked Questions and Answers

##### ***Why did SBA launch the New Markets Tax Credit Pilot Loan Program?***

The U.S. Small Business Administration launched the New Markets Tax Credit (NMTC) Pilot Loan Program to increase lending to small businesses located in economically distressed communities or "New Markets." The pilot program will help small businesses by enabling Community Development Entities (CDEs) to combine the benefits of both the U.S. Department of Treasury New Markets Tax Credit Program and the SBAExpress or CommunityExpress 7(a) guaranteed loan programs to provide small businesses located in urban and rural communities greater access to financing and business training.

The pilot program, which is only available to 7(a) Lenders making new loans subject to Pre-Loan Agreements with CDEs, waives a regulation that limits a 7(a) Lender's ability to sell any portion of an SBA guaranteed loan to anyone other than another 7(a) Lender. The waiver allows CDEs with New Markets Tax Credit allocations to purchase up to 90 percent of SBAExpress or CommunityExpress 7(a) loans up to \$150,000 made to New Markets Tax Credit (NMTC) "qualified" businesses in low-income communities as defined in §45(d)(2) of the IRS Tax Code. These new loans are guaranteed by the SBA.

##### ***What loans qualify for the program?***

- SBAExpress and CommunityExpress loans up to \$150,000 made after November 3, 2006 are eligible.
- Only new loans held in the portfolio of the originating 7(a) Lender and made after November 3, 2006 are eligible.
- Only loans subject to a Pre-Loan Agreement between the 7(a) Lender and a CDE will qualify. The Pre-Loan Agreement is described below.

##### ***What loans do not qualify for the program?***

- All other SBA 7(a) loans, 504 loans and Microloans are ineligible, and all SBA loans sold on the secondary market are ineligible.

You may read the rest of this FAQ on our Michigan Lenders Web site at [http://www.sba.gov/mi/mi\\_lenderspage.html](http://www.sba.gov/mi/mi_lenderspage.html) under Lender Informational Notices.

##### ***How can I obtain more information?***

- 7(a) Lenders desiring more information may contact John Wade at the SBA Office of Financial Assistance at (202) 205-7505 or via e-mail at [john.wade@sba.gov](mailto:john.wade@sba.gov). For questions of a general nature contact Peter Jacxsens at the SBA Office of Policy & Planning at (202) 205-6452 or via e-mail at [peter.jacxsens@sba.gov](mailto:peter.jacxsens@sba.gov).
- For information on the New Markets Tax Credit Program please contact the U.S. Department of the Treasury, CDFI Fund at <http://www.cdfifund.gov/>.